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**The Slick Corporation
Annual Report 1969**

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Directors

Albert L. Butler, Jr.

President of Arista Mills Company

Joseph A. Frates

*Chairman of the Board of
The Ridge Tool Company*

John D. McGeary

Vice President of Thomson & McKinnon Auchincloss, Inc.

Frank J. Manheim

Investments; Director of Various Corporations

Samuel R. Milbank

Chairman of the Board of Wood, Struthers & Winthrop, Inc.

***William E. Miller**

Partner of Steptoe & Johnson

Lewis J. Moorman, Jr.

Ranching and Investments

***Joseph E. Muckley**

*Executive Vice President of
Martin Marietta Corporation*

***John E. Parker**

*Vice Chairman of the Board and
Chairman of the Executive Committee;
Director of Various Corporations*

Everett H. Pixley

Director of Various Corporations

***Earl F. Slick**

*Chairman of the Board;
Director of Various Corporations*

***Charles F. Urschel, Jr.**

Oil, Gas and Investments

***Robert W. Van Tuyle**

President and Chief Executive Officer

**Member of Executive Committee*

Officers

Earl F. Slick

Chairman of the Board

John E. Parker

*Vice Chairman of the Board and
Chairman of the Executive Committee;*

Robert W. Van Tuyle

President and Chief Executive Officer

Joseph P. Hughes

Vice President Finance and Treasurer

Joseph S. Williams

Corporate Counsel and Secretary

Richard P. Taylor

Assistant Secretary

Transfer Agents

Common Stock:

The Chase Manhattan Bank

*One Chase Manhattan Plaza
New York, New York*

First National Bank & Trust Company

Oklahoma City, Oklahoma

Preferred Stock:

United California Bank

Los Angeles, California

The Chase Manhattan Bank

*One Chase Manhattan Plaza
New York, New York*

Registrars

Common Stock:

United States Trust Company of New York

45 Wall Street, New York, New York

First National Bank & Trust Company

Oklahoma City, Oklahoma

Preferred Stock:

Security Pacific National Bank

Los Angeles, California

United States Trust Company of New York

45 Wall Street, New York, New York

General Counsel

Steptoe & Johnson

Washington, D.C.

Independent Accountants

Haskins & Sells

New York, New York

Annual Meeting:

The annual meeting of stockholders will be held on Wednesday, June 3, 1970 at 10 A.M. Eastern Daylight Time in the Madison Room of the Hotel Roosevelt, New York City.

To Our Shareholders:

Slick's net income of continuing operations after extraordinary item increased to \$4,466,000 in 1969 from \$2,845,000 in 1968, the former including our share of Filtrol Corporation's profits for the year. Earnings per share in 1969 were 83 cents on 5,393,484 average shares outstanding, compared with 91 cents a share on 3,094,277 average shares in 1968. Consolidated net sales rose to \$122,973,000, a gain of \$13,836,000 over the previous year.

Operations of the Filtrol Corporation, Slick's majority-owned subsidiary headquartered in Los Angeles, California, contributed \$2,507,000 to our operating profits in 1969. Filtrol's gross revenues in 1969 totaled \$26,152,000, compared with \$24,612,000 the year before. Net income amounted to \$5,840,000, or \$2.23 a share, against \$5,780,000, or \$2.20 a share, in 1968.

Additionally, Slick received \$1,987,000 in dividends from Filtrol during the year and paid \$1,811,000 in dividends to holders of our \$1.75 cumulative convertible preferred shares, Series A, which were issued in exchange for Filtrol stock in March, 1969. Regular quarterly dividends of 8 cents per share totaling \$1,004,000 were paid to holders of Slick's common stock in 1969.

The 1969 results for Slick were disappointing in that the performance of the Drew Chemical Corporation was below that of the prior year. The shortage of nickel depressed the sales and profits of the Catalyst Division through the last half of the year. Nickel is again more readily available, and the performance of this division has returned to a more satisfactory level. Profitability in the Food and Food Chemical Specialties Group was also below that of the prior year because of inadequate margins and volume. This condition developed to a significant degree during the fourth quarter and has persisted during the first quarter of 1970. A major reorganization of this group was completed in March, 1970, and we anticipate improvement in this area. Production problems in the specialty and water treatment chemicals area caused delays in delivery and higher costs during the fourth quarter; however, the majority of the problems have now been resolved, and margins and volume are returning closer to normal levels.

The performance of the air pollution control and product recovery equipment group was excellent, achieving a new high for the year. Our Company continued its efforts to move more of its activities into the fields of air pollution control and product recovery equipment and specialty and water treatment chemicals during 1969 and early 1970. In line with this objective, in December, 1969, we acquired Southern Press & Filter Media Co., Augusta, Georgia, manufacturers of filter media for industrial purposes. The assets of Southern Press were acquired for 90,715 shares of Slick common stock and an additional number of shares payable in 1974, contingent on the combined future earnings of Southern Press and Menardi & Co., which joined our Company in December, 1968.

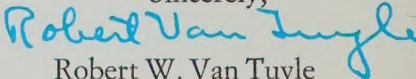
At the same time, we proceeded to combine these operations and announced the formation of a new Slick operating division, Menardi-Southern, to manufacture and market a complete line of wet and dry filter media for a wide range of applications in industrial filtration, air and water pollution control and product recovery collection (detailed on Page 6 of this report). We foresee growth opportunities for this division.

Furthermore, the sale of the assets and operations of the Catalyst, Food and Food Chemical Specialties Group of the Drew Chemical Corporation is being considered. The Board of Directors of your Company is currently evaluating certain offers for the above mentioned assets.

Certain of these assets and operations were the subject of the anti-trust suit brought by Filtrol on April 1, 1969. If the sale is completed, it is planned to move to vacate the preliminary injunction granted in the U.S. District Court on December 29, 1969 which prevents us from exercising our voting control of our majority holding of Filtrol common stock.

In conclusion, the directors and officers of Slick join with me in expressing our sincere appreciation to our employees, customers, distributors, suppliers and shareholders for their confidence and support during the past year.

Sincerely,


Robert W. Van Tuyle
President

April 27, 1970

Slick's Future Linked to Growth Areas

Concerted effort was exerted in 1969, to broaden the scope of our company's production and marketing activities in the fields of air pollution control equipment and chemicals for water treatment and other specialty purposes. Slick's future, we believe, is strongly linked to the growth potential of these areas which have been assigned top priority in the nation's economy in the Seventies.

Major corporate restructuring began in 1966 when Slick disposed of its air freight carrier operations to Airlift International and later sold the assets of its Illinois Shade Division. Diversification into industrial manufacturing had started in the early 1960's, and advanced steadily following the acquisition of Pulverizing Machinery, a 47-year-old producer of fabric filter dust collectors and pulverizing equipment widely used in air pollution control and product recovery.

Major Acquisitions Set New Stage

The next significant stage in the company's expansion program was the acquisition in 1968 of Drew Chemical Corporation, a diversified manufacturer of process, marine, industrial and food chemicals, nickel catalysts and food products for 63 years. In recent years, Drew has gained an international reputation for its chemical applications in water and waste treatment. This acquisition was followed

by Slick's successful tender offer early in 1969 for a majority interest in the Filtrol Corporation, a West Coast producer of petroleum cracking, desulfurization and hydrogenation catalysts, and activated clays used in purification of both fatty and mineral oils.

Pulverizing Machinery's operations were extended in 1968 and 1969 with the addition of Airetron Engineering Corporation which expanded our line of air pollution control devices to include wet scrubbers, cyclone collectors, packed towers and electrostatic precipitators for removing dusts, mists, fly ash, smoke and gaseous pollutants from process gas streams. In 1968, the addition of Menardi & Company provided a capacity for producing fiberglass filter media and in 1969 the addition of Southern Press & Filter Media Co., gave us a full line of wet and dry, synthetic and natural filter media for all types of industrial filtration.

Pollution Control Offers Challenge

This sequence of corporate developments laid a solid foundation for Slick's current concentration in air pollution control and water and waste treatment control—two of the fastest growing industrial areas in the nation today. Operations-wise, we are supported by a broadening manufacturing capability both in chemicals and equipment here and abroad, research and development programs, extensive technical and engineering sales-service and world-wide distribution systems.

During the past 20 years, government and industry had coped with air and water pollution with varying degrees of success and failure. Radical changes in official attitudes, administrative procedures and legal means for tackling the problems at national, state and community levels have evolved in recent years. Public clamor and determination for cleaner air and cleaner water—and a growing sense of urgency that time may be running out—has spurred government and industry into accelerated action.

To encourage industry to institute pollution abatement projects, tax incentives were adopted in 1969 by the Federal

government in the form of accelerated five-year tax write-offs of air and water pollution control equipment. By the end of the year, 25 states also had adopted tax relief and 15 states had legislation in the works providing for rapid amortization and exemption from sales, property, ad valorem and use taxes to serve as catalysts for action on the part of private and public corporations.

Industrial expenditures for particulate control equipment, exclusive of installation and operating costs, totaled between \$120-\$150 million in 1969 and will rise at a rate of about 20 per cent a year to above \$360 million by 1975, according to the National Air Pollution Control Administration and industry sources. The total market for water processing chemicals in 1969 was estimated at approximately \$300 million, 70 per cent of which were specialty chemicals used to demineralize water, inhibit corrosion and control scale, sludge, slime and biological growth. It is anticipated that this volume will at least double by 1975.

Company's Know-How Valuable Asset

The interpretation of the avalanche of technical information on pollution control generated by government agencies, consultants, equipment manufacturers, professional and organizational groups and trade associations requires the special skills of the experts daily involved in finding practical, economical solutions to abatement problems. This is where Slick's long-standing knowledge and its engineers and technicians play a key role in assisting plant management in selecting suitable high performance equipment or materials to meet their industrial requirements.

The position of Slick is perhaps unique among those companies operating in the environmental field. Frequently the control of an air pollution problem in process manufacturing leads to a water pollution problem. It is then that our expertise in water-treatment enters the picture to help in the final solution. We are prepared to extend our services and grow proportionately as the nation comes to grip with these problems in this decade.

Growth in Air Pollution Control

The year 1969 was an important milestone in the continuing growth and development of the Pulverizing Machinery Division, a pioneer and innovator in the United States in the manufacture, design and engineering of air pollution control equipment, pulverizers and product recovery devices for a wide spectrum of industrial processing.

Highlights of the division's diverse activities during the past year include:

- Integration of its newly-acquired equipment line into its manufacturing, distributing and servicing operations.
- Breakthroughs in the adaptation of its products to meet the growing demand for industrial gas cleaning equipment in all parts of the country.
- Strengthening of its technical, engineering and field services to penetrate additional markets in the U.S., Canada and abroad.
- Implementation of an R&D computer system to produce mathematical models of gas cleaning and pulverizing equipment to accelerate the study of new concepts.

1969 Sales Reach Record High

Sales volume increased to a record high of \$18.5 million in 1969. Sales of the division's gas cleaning equipment should increase at an average rate of at least 20 per cent for the next five years. PM's objective is to reach a sales volume of \$50 million by the end of 1972 through internal growth and acquisition.

Pulverizing Machinery today has approximately 20,000 high efficiency fabric filter dust collectors and product recovery

installations of varied sizes and capacities in operation throughout the world. About two-thirds of these units are in use in this country. Many of these installations provide a steady flow of replacement bag sales.

PM Pioneered Fabric Dust Collector

Pulverizing Machinery pioneered this country's first reverse jet fabric dust collector. The company later conceived and introduced its "Mikro-Pulsaire," providing continuous, automatic gas cleaning with no internal moving parts. It handles dust streams up to 425 degrees Fahrenheit with a recovery efficiency of virtually 100 per cent. This system, which met with wide acceptance from its inception, is particularly adaptable to industrial process streams where valuable materials for product recycling are recovered.

Through continuing research and application in the field, PM's engineers have developed a variety of "Mikro-Pulsaire" adaptations, adding to the equipment's versatility and flexibility in serving industry's rapidly increasing needs. Modular, pre-assembled cylindrical and square units as well as special bin-vent collectors, plus a number of accessory components, have been developed to fill special market needs. These devices have a range of gas cleaning capacity ranging up to 200,000 cubic feet per minute for standard equipment and considerably higher volume for specially designed equipment. Fabric filter collectors are the fastest growing segment in the industry.

Through its "zip shipment" program, PM can deliver standard model dust collectors with gas cleaning capacity of up to 10,000 cubic feet per minute—within one to three weeks. Custom fabricated units require a period of anywhere from two to six months for completion of the engineering and production cycle before shipment can be made.

The scope of PM's operations were enhanced considerably in 1968 with the inclusion into its air pollution control equipment line of a number of other practical systems for controlling particulate and gaseous emissions. These methods include:

Mechanical Collectors • impart a cyclonic swirling motion to particles in a gas stream which are separated by centrifugal force. This is an inexpensive, low-efficiency system.

Wet Scrubbers • inject a liquid into a gas stream, usually passing the mixture through a restriction at high energy that causes turbulent mixing of gas and liquid. This traps the pollutants in liquid droplets which are removed as the liquid is drawn off.

Electrostatic Precipitators • induce an electrical charge on suspended particles which are attracted to a grounded surface for subsequent removal of the particulate matter by mechanical means.

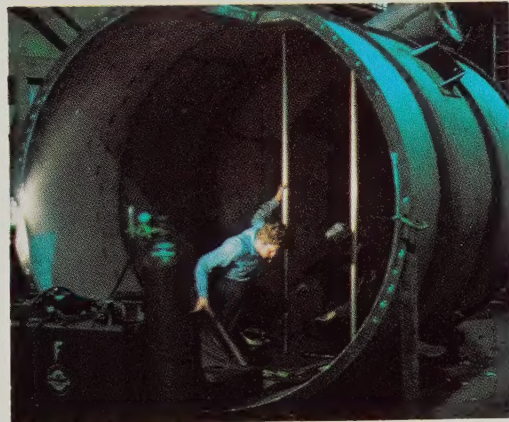
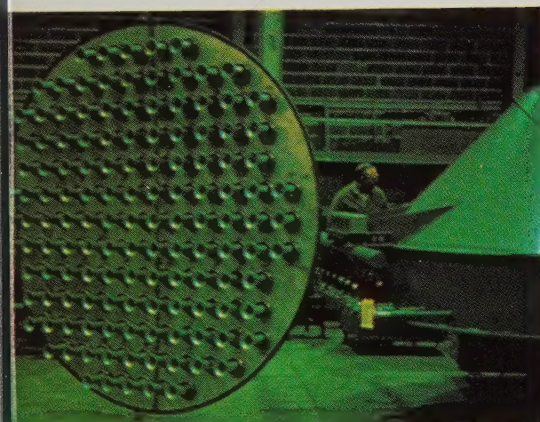
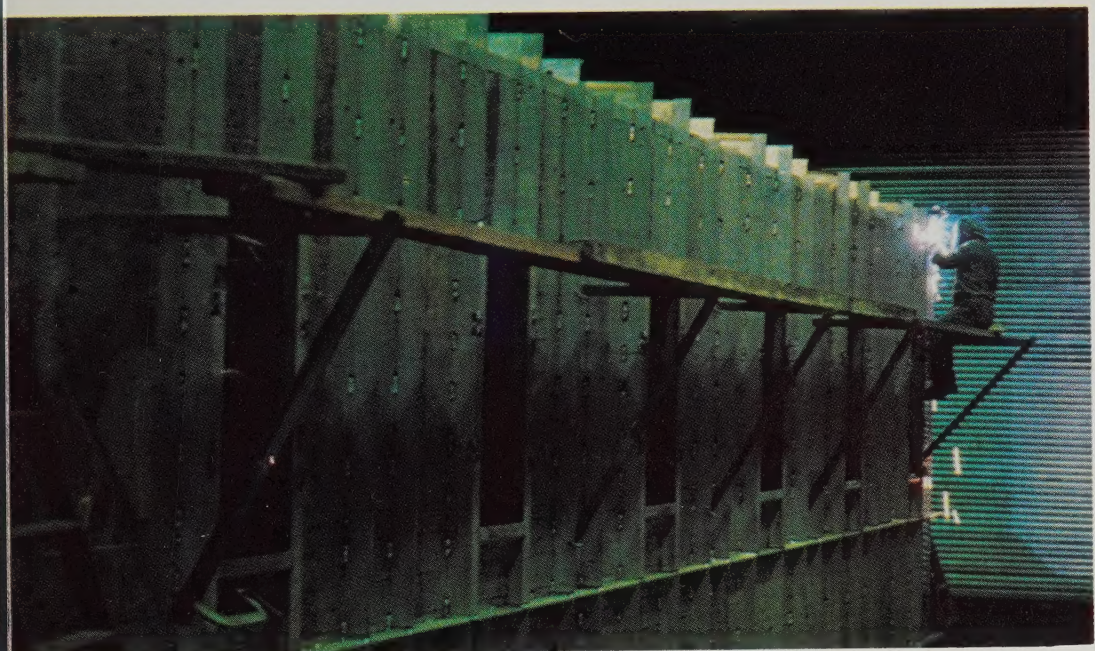
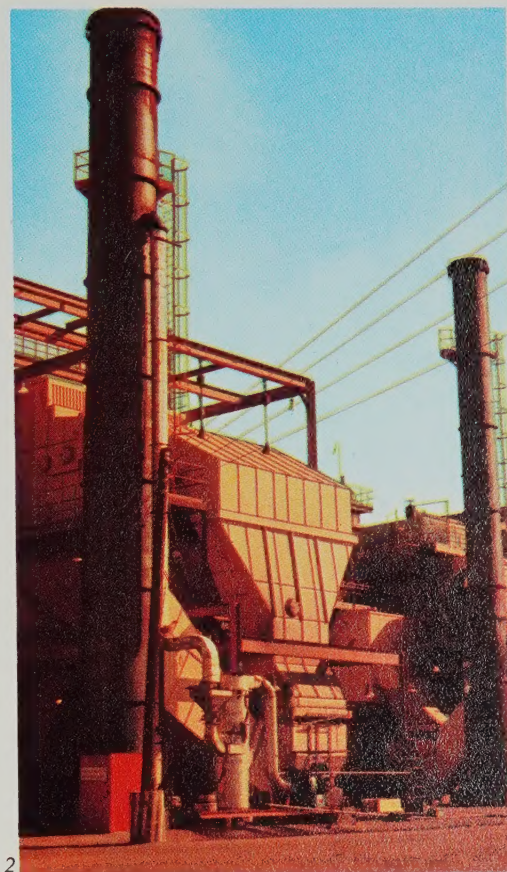
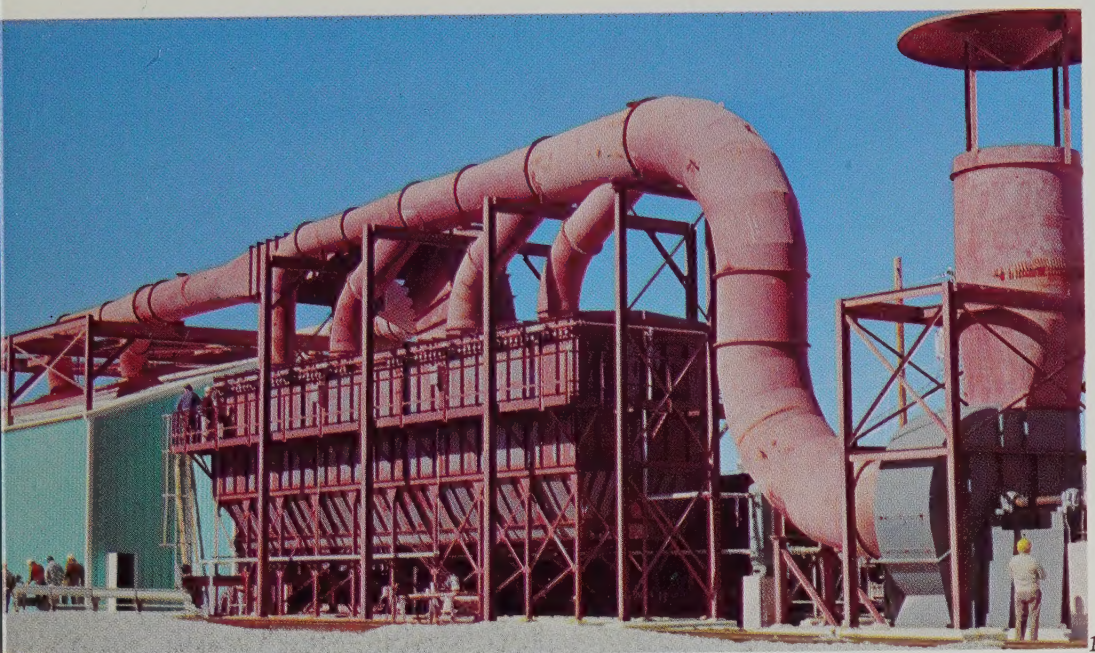
A highlight of the division's marketing effort in 1969 was the first million dollar sale of "Mikro-Pulsaire" collectors to a leading primary producer in the non-ferrous metal field. This has opened sales opportunities among other metal producers. PM's venturi scrubbers, incorporating several new gas-cleaning features, were installed in the huge blast furnaces at the Weirton steel mills. Their effectiveness led to contracts for two additional scrubbers for installation this year.

Division Introduces New Devices

The company's new Modulaire shaker bag dust collector, introduced early in 1970, has been engineered to serve the specific needs of the iron and steel industry, including both primary and secondary producers. This unit handles metallurgical fumes up to 550 degrees Fahrenheit. PM's Engineering Department in 1969 brought forth a new mobile trailer-mounted "Mikro-Pulsaire" for use by transportable asphalt plants supplying basic materials on road building projects.

Playing an essential role in extending the division's business in pollution control are the 31 regional representatives operating from the nation's principal industrial centers. The technical and sales engineering services rendered by these agents—many of whom are professional and graduate engineers—to customers in the field are backed up by the company's field service force of specialists.

The division's high-speed impact pulverizing equipment—a standard in the processing industry for dustless, granular and fine grinding for more than 40 years—has experienced steady acceptance and growth during the past decade. The product line, including several different types of multi-functional pulverizers, atomizers, air conveying systems and accessories, is widely used for particle reduction by the world's process industries.



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1. One of 10 "Mikro-Pulsaire" dust collectors recently installed at the dry phosphate rock railroad dumping station at Eastern Associated Terminal in Tampa, which has a filtering capacity of 100,000 cubic feet of dirty air per minute. 2. "Mikro-Airetron" venturi wet scrubber and cyclonic scrubber being piloted at a Florida sugar plant for gas cleaning the effluent of boilers which burn fibrous waste removed from sugar cane shells. 3. Seen in the process of production is one of 68 40-foot long Modular Pulsaire collectors and product recovery units supplied to a leading non-ferrous metal producer in 1969. 4. Venturi nozzles being riveted to tube sheet for mounting on a large cylindrical Pulsaire (photo 5) in the process of completion. 6. Finishing touches are put to 100 horsepower "Mikro-Atomizer" mill at Summit plant.

Growth in Wet & Dry Filtration

The formation of the Menardi-Southern Division late in 1969 paved the way for Slick to increase its penetration of the growing market for wet and dry filter media, which has a broad range of applications in industrial filtration, air and water pollution control and product recovery collection. A close study of this market indicates solid growth potential for these products in the years ahead.

The creation of this new operating unit was achieved through the consolidation of Southern Press & Filter Media Co. and Menardi & Co., bringing together technology, manufacturing and marketing know-how for expanding sales of their respective product lines. Integration of their operations makes possible speedy and economical distribution to all parts of the country, and improved services to their many customers here and abroad.

Solid Growth of Southern Press

Southern Press operates a 35,000 square foot manufacturing plant employing more than 225 persons in Augusta, Georgia, where it began operation in 1957, successor to a firm founded in 1916 that manufactured and marketed nylon press cloth and high density fabrics for crude cotton oil mills. It has maintained a consistent pattern of growth. Sales rose from \$304,500 in 1958 to \$5 million in 1969 while profit increased proportionately.

During the past decade, Southern Press became an important supplier of synthetic and natural fabric filter media to operators of both liquid and gaseous filter equipment. Their product line is comprised of 55 per cent of wet filter media

and 45 per cent dry media, which is used in numerous filtration applications in aluminum plants, petroleum refineries, the precious metal industry, foundries, paper mills, chemical and cement plants and the cornstarch industry.

Southern Press expanded its manufacturing facility in November, 1969, providing sufficient capacity for doubling its production output and adding needed warehouse space. Today, it produces as many as 800 different fabric items in a variety of sizes and weights, including filter bags for all types of fabric filters manufactured in the U.S. and abroad. The filter bags range in diameters, from 3 inches to 36 inches, and in lengths of 18 inches to 40 feet. Specialty products include bags for dyeing hosiery, rotary filter blankets for sewage disposal, mash filters for the brewing industry, truck tarpaulins, drum covers, mail bags, etc.

Pioneer in Fiberglass Bags

A stringent air pollution control ordinance adopted by Los Angeles County in the mid-Fifties was the catalyst for the formation of Menardi & Co. in Torrance, Calif., where it presently operates a 25,000 square foot plant, employing 85 persons. The company conceived and pioneered the development of the modern fiberglass filter bag through its own process for heat-treating and siliconizing glass fabrics. Today, it is the largest supplier of fiberglass filter media in the country.

In the early stages of its growth, Menardi designed and built total baghouse systems, but in recent years has devoted its major activities to producing quality controlled filter bags. Menardi was the first manufacturer to successfully apply its fiberglass technique to solving the complex cleaning, corrosion and product recovery problems of the carbon black industry. Subsequently, Menardi chalked up many firsts in the application of fiberglass media for handling high temperature emissions from cement kilns, non-ferrous smelters, lightweight aggregates, steel furnaces and steam generating plants.

Menardi's glass bags operate at temperatures over 500 degrees Fahrenheit and provide dust and fume collection efficiencies of more than 99.9 per cent. In addition to its outstanding technology in producing large-size bags, Menardi has developed many components and accessories for filter media, including stainless steel clamps, filter tube caps, disposable

caps and fiberglass rope, cordage and thread.

The selection and adaptation of the proper filter media is the key to success in filter performance. The combined technical know-how of Menardi-Southern in the design, engineering and finishing of synthetic and natural fabrics for a variety of critical wet and dry filtration needs is geared to serving this country's processing industries.

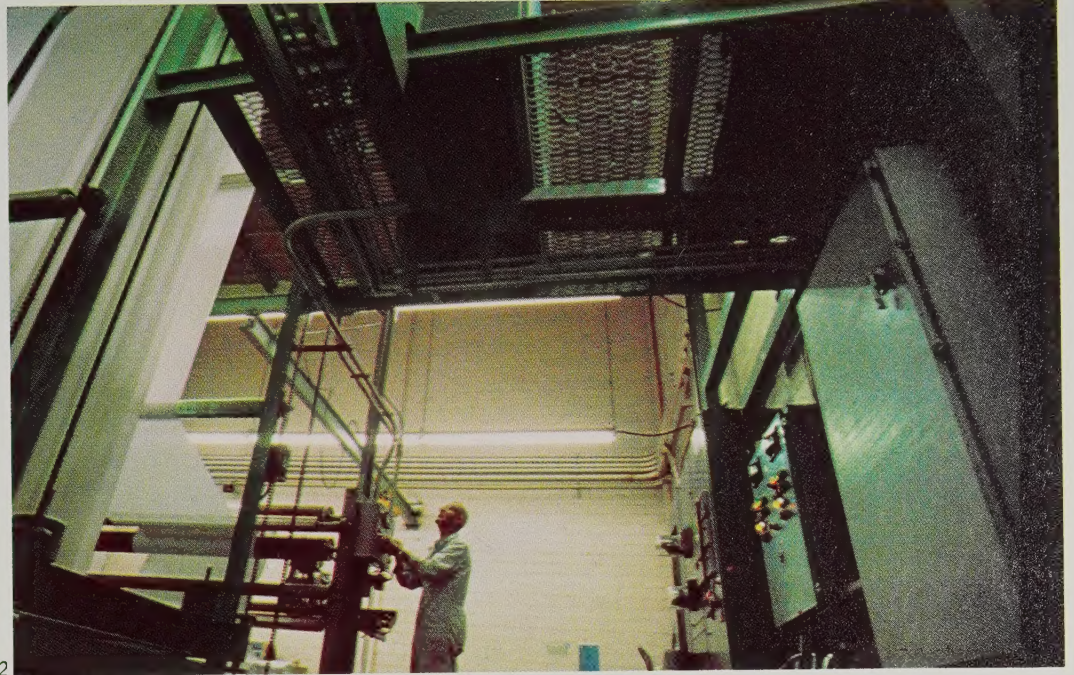
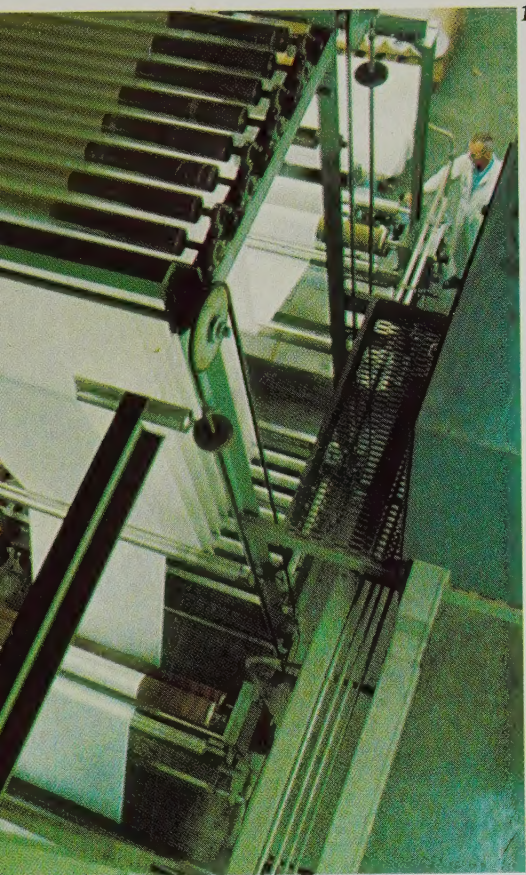
Division Stresses Quality Output

Menardi-Southern's approach to determining which filter media will do the best job for the process involved takes into consideration such factors as degree of filtration required, particle retention, chemical compatibility, temperature limitations, abrasion resistance, cleanability or release characteristics, ease of replacement, replacement costs, fabric weave construction, permeability, finish and allowable pressure drop.

For the most effective results fabrics must be carefully selected and tailored for each individual application. This is where Menardi-Southern's experience and versatility provides the right answer. The division is expected to benefit from the trend toward continuous filtration systems which require filter elements of greater complexity, and application of the skills of specialists in the filter media field. It is anticipated that this market will expand at an accelerated rate in the years ahead.

It has been estimated that approximately 80 per cent of all manufacturing plants contain operations that produce dust and particles. Fabric collection is the most positive method for removing particles from an air or gas stream and provides a high collection efficiency. In many cases, a fabric collector is an integral component of a process system; in others, fabric collectors are used to overcome in-plant dust problems, reduce equipment maintenance, improve product quality, and increase product recovery.

Menardi-Southern's capacity for providing more effective and economical filter media for industrial use in air pollution control and product recovery devices has been making steady progress from year to year. Consolidation of the manufacturing and marketing abilities of this new unit of Slick is destined to produce increased sales of filter media for new equipment and replacement in existing devices in this decade.



Menardi-Southern's capability for fabricating filter media of exceptional quality is underscored in these manufacturing operations at the division's California plant. Photos 1 and 2 depict the complex electronically-controlled equipment the division devised for exclusive processing of glass fabrics. It employs three furnaces in which glass cloth may reach temperatures as high as 2,200 degrees F. and has a processing capacity in an eight-hour shift of 10,000 yards for fabrics 72-inches wide. 3. Workers inspect filter bags prior to packing and shipment. These were previously fabricated into full length tubes in photo 4. The division engineered these sewing machines with extra long arms (photo 5) to facilitate fabrication. Photo 6 shows unique "dispos-a-caps" the division created for easy filter bag replacement, saving downtime and eliminating maintenance for the "baghouse" users.

Growth in Water Treatment and Specialty Chemicals

The rapidly expanding market for specialty chemicals throughout American industry is reflected in the increase in sales in 1969 of Drew Chemical products used in water and waste treatment and corrosion, scale and microbiological control.

An industry-wide survey of the water and waste treatment industry ranked Drew Chemical fourth among those specialty chemical companies leading in the output of corrosion inhibitors, defoamers, biocides, flocculants, antifoulants, dispersants, retention aids, specialty surfactants, maintenance chemicals and other key important proprietary compounds. These products are on a rising rate of consumption in municipal and industrial water and waste processing, and boiler and cooling water treatment.

Technology Key to Drew's Growth

Sales volume of all specialty chemicals manufactured by Drew's Process Chemical and Marine Divisions rose to \$18,250,000 in 1969. It is estimated that between \$250 and \$275 million was spent by industry for specialty chemicals in water treatment applications last year. Consumption is expected to increase at a rate of at least 12 per cent annually.

Drew Chemical entered the water and waste treatment field about 30 years ago. From its very inception it emphasized a technological approach, which embraced thorough investigation of the customer's problem, development of chemical formulations, determination of the proper dosage necessary for optimum operation and field instructions in product application and control testing. This procedure has been refined and improved through the

years and is successfully applied to all facets of water treatment today.

In the course of its experience, Drew has pioneered many industry "firsts" in the specialty chemical field. Notable among its achievements has been the development of:

- the first cationic polyelectrolyte accepted by the U.S. Public Health Service for use in potable water.
- the application of preservatives for the retardation of microbial damage to wood chips.
- development of FST-1 for the alleviation of deposits and slag in black liquor recovery boilers.
- a combination pitch dispersant and drainage aid for Kraft pulp mills.
- a chelate-polymer blend developed for deposit control in industrial boiler systems.

250 Chemicals for Industry's Needs

Drew produces approximately 250 specialty chemicals which are supplied to more than 3,000 customers, representing a cross-section of American industry. Major volume users are the chemical, pulp and paper, petroleum refining, steel, food, textile and pharmaceutical industries. The company's complete line of chemicals finds day-to-day application in over 200 of the nation's 800 pulp and paper mills which are serviced by a nation-wide team of experts.

The importance of polymer chemistry and the use of synthetic water-soluble polymers in solving water treatment problems has greatly accelerated in recent years. To keep pace, Drew undertook a second major expansion of its multi-functional polymer facility in New Jersey which was completed in mid-1969. The subsidiary now has a manufacturing capability of more than 10 million pounds annually of non-ionic, anionic and cationic polymers which find application in liquid-solid separation, including water clarification and purification and municipal industrial waste treatment.

Drew's forte is its exceptional capability for relating the information developed in the solution of a technical problem in a specific industry to similar problems in other industries, thus opening up other markets and sales opportunities. This versatility and flexibility accrues from wide-spread dissemination of technical information and case histories to its more than 100 technical-sales representa-

tives operating in every principal region in the country.

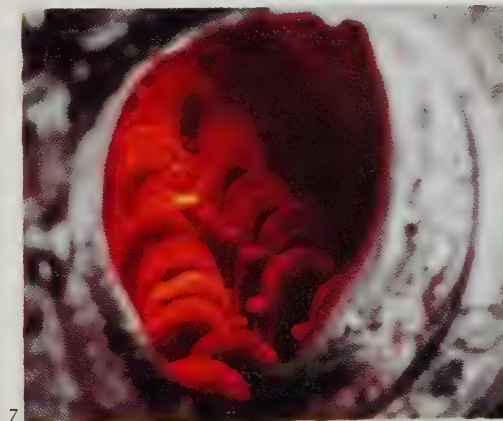
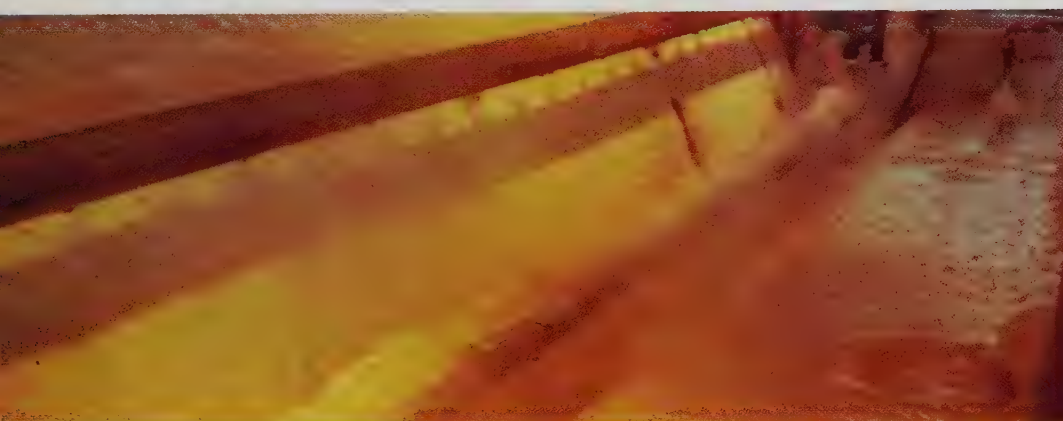
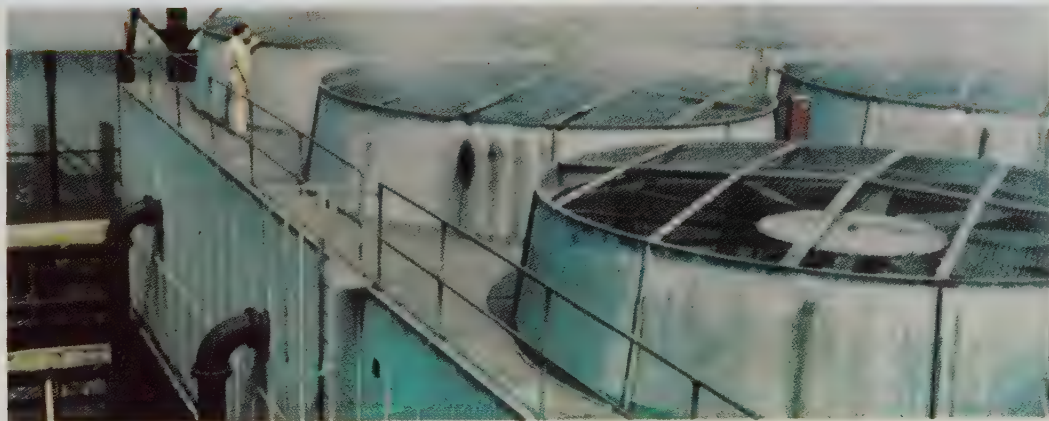
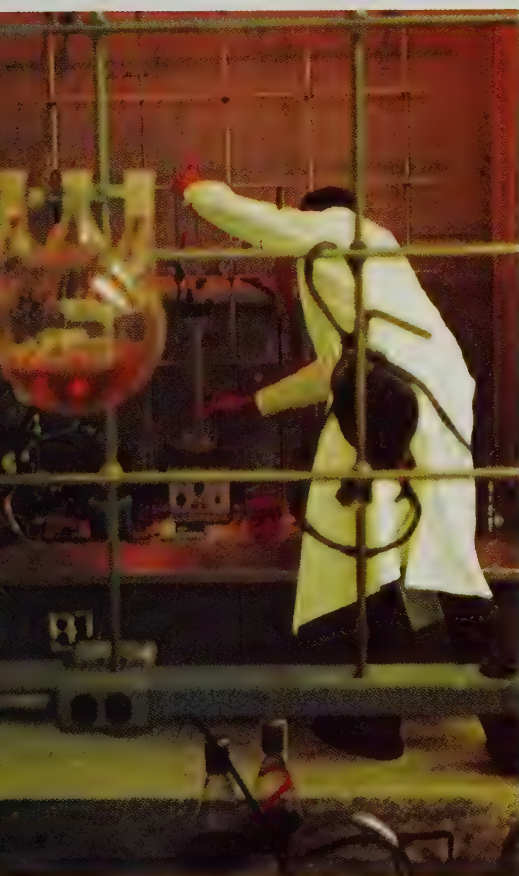
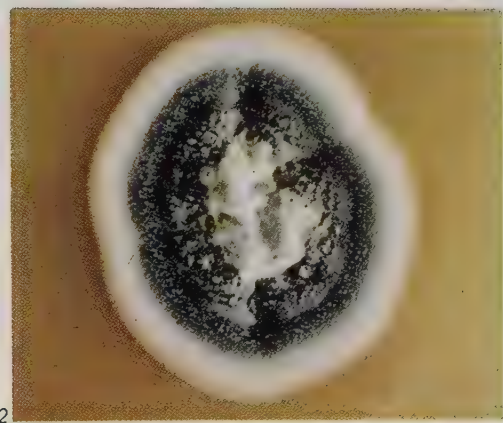
New Products Meet Wide Acceptance

Drew water and waste specialists operate on the theory that there are no universal solutions for all water ailments. This philosophy places strong emphasis on technology and service in customer relationships, and has been a major contributor to the division's progress. The challenges implicit in this concept have been behind the efforts of Drew's research and development department. The company's modern, well-equipped laboratory, opened in January 1968, is staffed by 55 highly trained specialists whose ability to develop new products and find sound solutions to problems are continually widening its horizons and leadership in the specialty chemical field.

The subsidiary's vigorous search for technological improvements resulted last year in development of a simplified method of corrosion inhibition and deposit control in the treatment of steam generating systems. This was packaged in a new family of products, known as "Drewtrol" and "Drewcor," which met with immediate acceptance, and a substantial boost in new business. These chemicals, now being produced in 18 different formulations, anticipate a substantial market thrust in 1970.

A non-toxic, non-staining corrosion inhibitor with unique properties for use in closed hot and chilled water systems was marketed early in 1970. The result of two years of laboratory development and extensive field testing, "Drewgard 100" imparts a unique film to the metal surface that mitigates against galvanic attack in multi-metal systems. It is believed to have a large market potential and should find many areas of application in the process industries.

During the past year, the research staff developed the Drew Biophotometer, a system capable of detecting all living bacteria, yeasts and fungi in paper mill white waters, cooling waters, starch slurries, cutting fluids, drilling muds and other areas where microorganisms are found. The new device has the capability of making 120 determinations per hour under conditions existing in most industrial laboratories. It is offered exclusively to Drew customers where biocide trials and evaluations must be completed within a relatively short period of time.



1. Drew preservatives retard bacteria damage to wood chips piled outside a lumber plant. 2. Enlarged view of white fungi which can cause surface rot and internal decay in the wood of cooling towers such as that seen atop a world-famous skyscraper in photo 3. In addition to controlling biological growth in cooling towers, Drew chemicals are used to prevent corrosion and scale deposits. 4. Drew chemical treatments also control metal corrosion in steam and condensate lines at many processing plants. 5. Laboratory specialists solve customer problems through continuing study and testing. 6. Company's defoamers increase efficiency of washing operations in many stages of pulp and paper manufacturing. 7. Drew's fireside treatment chemicals alleviate deposits and slag in black liquor recovery boilers.

Growth in Marine Chemicals

Keeping pace with the changing patterns and technology of world shipping has been the key to the continuing success of Drew's Marine Division. A major supplier of water-treatment and shipboard maintenance chemicals, Drew's world-wide marine operations have grown and prospered in direct proportion to the rapid expansion of the maritime industry.

In 1969, the division extended its position as the world's largest supplier of marine chemicals employed in the complex motor and steam power plants of approximately 7,500 vessels, ranging from ocean-going dredges to super-tankers with capacities up to 300,000 tons. Sales from the division's operations achieved a 10 per cent increase during the year.

120 Principal Ports Served

Drew has kept ahead of the vast changes that shipping has experienced in the past decade. The Marine Division has been structured to provide shippers with complete services in 120 principal ports. Strategically-placed manufacturing plants are located on the East and West Coasts of the United States, Canada, the United Kingdom, Belgium, Brazil, Argentina and Japan. Ultimate quality control for these plants is coordinated through the company's central laboratories. In this manner, customers are assured uniform products with the same specifications no matter where they are purchased.

Drew "Ameroid" products, a by-word for quality in maritime circles, find application in the treatment of exhaust gas boilers, low-pressure steam generators and scotch boilers with pressures ranging from 100 to 450 pounds per square inch. High

pressure and double-pressure boilers operating up to 900 pounds per square inch are treated with equally effective results.

The recent innovation of ultra-high pressure boilers for powering 100,000 to 300,000 ton tankers and container ships has made obsolete the conventional water treatment programs known to the marine industry. Drew has met this challenge by translating the latest in boiler water treatment technology into a workable program for maritime use. In 1970 it is planned to expand this service by establishing a tailor-made program of training for marine engineers who will have responsibility for the operation of the new ultra-high pressure boilers.

Subsidiary Develops Profitable Markets

Following tests of 18 months aboard numerous international vessels, "Ameroyal," a patented blend of synthetic polymers for treating salt-water evaporators, has found wide acceptance among owners. With modern ships increasingly dependent on evaporating plants for distilling sea water, Drew's "Ameroyal" eliminates scale and retards foaming to provide potable water for many shipboard needs. Thus, greater cargo space is made available by reducing the water supply ships are required to carry in their tanks. The system has had spectacular results and offers great promise for the future.

With the continuing growth of the diesel engine as a more economical source of power, particularly among international shipping fleets, Drew is expanding its share of this lucrative market. Drew's fuel oil treatment additives, cooling water treatment products and maintenance chemicals are finding increasing use in diesel motorships. The division is also moving in the direction of supplying its products to the off-shore drilling industry, and obtaining a greater share of government and naval fleet business.

Drew provides a sea-going tanker cleaning service with supervisory personnel to ships transporting crude petroleum, chemicals and other heavy liquid cargoes. Residues are accumulated in a vessel's tank and discharged at a shore station; alternatively, Drew deemulsifiers separate the oil and water permitting the oil-free water to be discharged into the sea. This service saves loss of time when the ship reaches port for loading new cargo or proceeds to a shipyard for repairs. Drew emulsifiers and dispersants are also used in clean-up

operations resulting from spills.

Increased emphasis has been given to the development of maintenance chemicals as a concomitant to the Marine Division's water treatment services in recent years. High performance detergents and solvents for the removal of oil, grease and carbonaceous deposits from air cooler fins and tubes; rust strippers for cleaning metal surfaces; and non-flammable liquid cleaners for electric motors are among numerous chemicals contributing to improved ship performance. Laboratory approved testing equipment, including water test cabinets, is made available for use aboard ship to Drew customers.

The division has several new products and applications in the research-development stage which it expects to introduce in 1970. These include ballast tank inhibitors; biocides for the elimination of slime growth in sea-water cooling and condenser systems; and a simplified chemical method for treating low-pressure boilers on diesel vessels.

World-Wide Communications Network

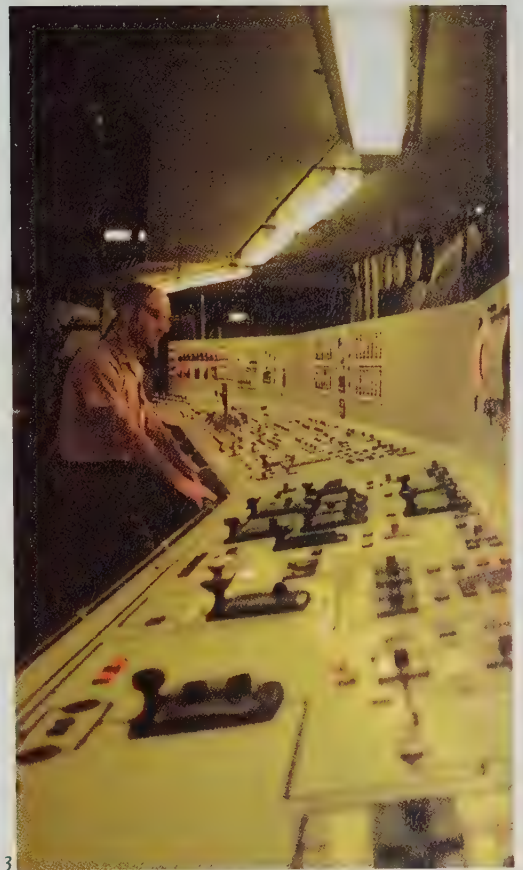
Modern technology has brought radical changes to shipping in our fast-moving world. The rapid turn-around of modern vessels—making it possible to be in and out of port in a matter of hours—has made speed of communications an imperative. Drew has organized a comprehensive communications network, allowing for international time differences, which keeps management within immediate contact with every port representative and accelerates prompt and efficient delivery and service under the most difficult circumstances in all parts of the world.

The expertise of Drew engineers has an important functional day-to-day role in providing technical assistance in applying its products and solving problems when a vessel reaches port. These experts cooperate with major boiler and engine manufacturers in the development of their equipment, and contribute their know-how to seminars and training sessions conducted by major shipping companies.

The gross tonnage of the world's fleet of steamships and motorships has increased from 124,935,479 in 1959 to 211,660,893 tons in 1969. Drew's 30 years' experience in supplying vital water treatment and maintenance products aboard every type of merchant ship has positioned it to benefit from the industry's growth which is expected to accelerate in this decade.



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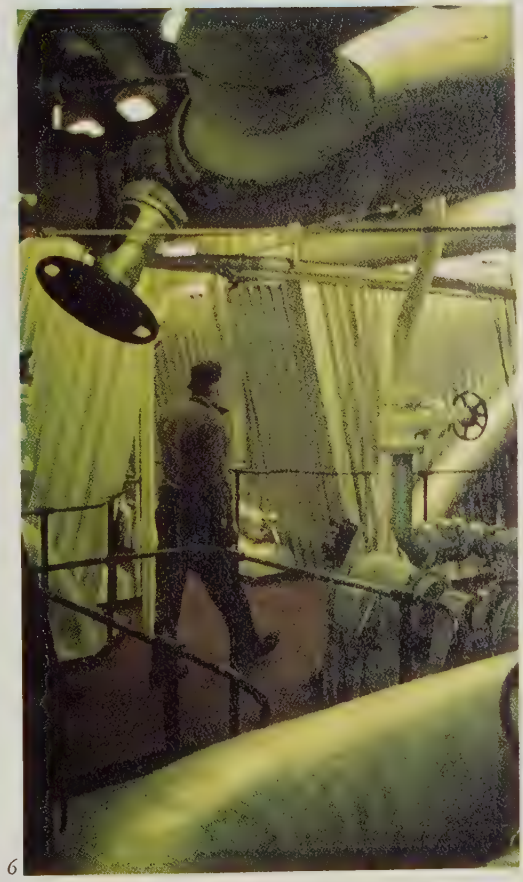
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Drew's marine products provide protection against corrosion and scale formation in boilers, cooling water systems and evaporators aboard the new 602-foot long "Mormacsea" steam turbine powered cargo-container ship (photo 1), which became operational in mid-1969. These scenes of the 16,380-ton Moore McCormack vessel taken at Port Elizabeth, N.J. show the 31-foot engine room central console (photo 3) which controls the ship's huge boilers and turbines (photos 4 and 6). Seaman tends evaporating plant which distills sea water (photo 5). Drew technicians (photo 2) perform an actual water analysis test in the engine room just prior to the ship's departure for European ports. Drew chemicals available to shipping in 120 principal ports serve more than 7,500 large vessels plying the world's waterways.

Growth in International Operations

Slick's foreign operations made a significant contribution to sales and profits in 1969. Progress abroad is related to the fact that the company's chemical products and industrial equipment are linked to essential growth areas in many foreign countries. These give every indication of becoming even more important economic factors during the current decade.

PM Profit Centers Expanded

Pulverizing Machinery's principal foreign manufacturing facilities in West Germany, the United Kingdom, and Canada underwent important physical improvements in 1969, making substantial profit contributions to the division's overall results. Equipment sales abroad increased for the third successive year.

In addition to its wholly-owned foreign subsidiaries, Pulverizing Machinery has licensing agreements for the manufacture and marketing of its "Mikro" product line in Mexico, Australia, South Africa and Japan, and sales representation in 27 other countries. Through this world-wide network, PM reaches virtually every industrial center where process manufacturing has an essential role in the economy.

In Cologne, West Germany, a new 30,000 square foot building was added to the subsidiary's complex, expanding its production capacity for "Mikro-Pulsaire" dust collectors, wet scrubbers and pulverizers which are sold in all European countries. PM/GmbH works closely with the parent company in its research and development. Recent product innovations included a novel horizontal method for

removing bag clusters in applications requiring frequent and speedy product changes; an improved pulverizer design, encompassing a vertical impact mill for high capacity fine grinding; and new filter media using metal fibers for high temperature applications.

Mikropul Limited in Shoeburyness, Essex, England, opened a new 20,000 square foot plant in February, 1970, which produces PM's full range of products. The English subsidiary made a major contribution to product development in 1969 with the introduction of top removal bag units for fast replacement, which has been successfully adopted in the United States. Similarly, a new type of pulverizer developed by our Japanese licensee has been introduced in this country.

In May, 1969, Slick Industrial Company Canada Ltd., occupied a new 10,000 square foot plant in Toronto to satisfy the expanding Canadian market for air pollution control equipment and grinding devices. The Canadian subsidiary whose sales increased consistently over a three-year period offers the complete line of PM products which it furnishes to the mining, chemical processing, metallurgical, cement, food, pharmaceutical, milling and grain industries, among others.

Drew Widens Markets Abroad

The centers of influence of the marine chemical operations in Europe are Drew Chemical (U.K.) Ltd. in London, Drew Chemical (Nederland) N.V. in Rotterdam, Drew Chemical Deutschland GmbH in Hamburg, and Drew Ameroid S.r.l. in Genoa. Through these wholly-owned subsidiaries, which the company began organizing in 1963, Drew has developed an exceptional capacity for supplying identical quality products and services under the supervision of licensed engineers in all major supply ports around the globe. This represents a considerable advantage to Drew in competing successfully in the world marketplace.

Operating within the framework of the marine subsidiaries, Drew's specialty chemical operations made significant progress throughout the European Common Market, and broadened its sale of defoamers, biocides, surfactants and other products to the pulp and paper industry in the Scandinavian countries during 1969. Major effort was devoted to building a sales-service organization similar in nature

to the Process Chemical Division in the United States.

New Plant Opened in Canada

Drew Chemical Limited's new \$600,000 chemical processing plant in Ajax, Ontario, went into full operation in September 1969. The 35,000 square-foot facility, which distributes Drew's full line of chemical products, has a monthly production capacity of over two million pounds. It enabled the 39-year-old Drew subsidiary to enhance its services to more than 1,000 customers in the marine, paint, pharmaceutical and leather industries in Canada where continued growth is anticipated in the years ahead.

The new Canadian plant, which replaced a smaller facility built in 1956, has potential for tripling production and can be expanded to 60,000 square feet to meet future manufacturing needs. Newly-installed equipment includes chemical liquid reactors; general purpose mixing tanks and vessels; four loading docks with direct access to rail facilities; a large warehouse; and a modern, well-equipped laboratory for research and development, testing and quality control.

In the past year, Drew Productos Quimicos Ltda., headquartered in Sao Paulo, Brazil, progressed under a new management team which was installed the previous year. Its production and marketing efforts have been expanded to include air pollution equipment in addition to its water and waste treatment services. Brazilian personnel received special training in Drew's and Pulverizing Machinery's laboratories and technical departments in the U.S. Drew foresees exceptional opportunities for its products in Brazil, the fastest industrial developing country in South America.

Overcoming the limitations set by language barriers has an important communication's role in the company's success in servicing international shipping fleets. Perhaps unique in the marine industry are Drew's printed guides on chemical analysis of water and boiler treatment and maintenance procedures published in Greek, German, Italian, Norwegian, French, Turkish, Spanish, Swedish, Serbo-Croatian, Portuguese, Chinese and Japanese. These provide uniform information on the efficient application of our chemicals. Similar technical bulletins dealing with specific problems are furnished world-wide in these languages.



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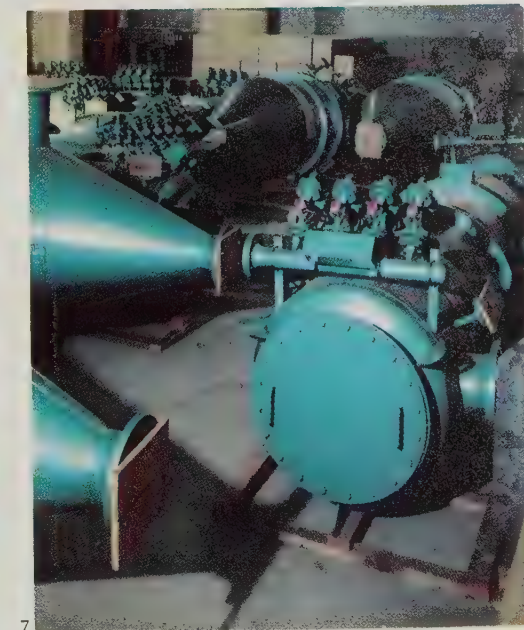
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1. Drew Chemical Limited's new 35,000 sq. ft. manufacturing plant in Ajax, Ontario, Canada, and its modern laboratory, a section of which is seen in photo 2, have enhanced the subsidiary's services to more than 1,000 industrial customers in Canada. 3. Drew's plant in Sao Paulo, Brazil, produces water and waste treatment chemicals for the South American market. Pulverizing Machinery's subsidiaries broadened their air pollution control and pulverizing equipment operations abroad with (photo 4) a new 30,000 sq. ft. Mikropul plant in England; (photo 5) a new GmbH manufacturing plant in Cologne, West Germany; and (photo 6) a new 10,000 sq. ft. facility in Toronto. 7. "Mikro-Pulsaire" cylindrical dust collectors in the Canadian plant are readied for shipment to industry across the continent.

Slick Products Distributed in World Markets

Drew Process Chemical and Marine Divisions

Drew Chemical produces approximately 250 specialty, water-treatment, marine and miscellaneous chemicals that serve industry and shipping world-wide.

Specialty Chemicals for Industrial Process Applications

Biocides
Defoamers
Coagulant Aids
Dispersants
Surfactants
Softeners
Pitch Dispersants
Sewage Sludge Dewatering Agents
Polymers for Liquid-Solid Separation

Paper-making Specialty Chemicals

Liquid, Paste and Flake Defoamers
Felt Washing Detergents
Retention Aids
Rewetting Agents
Softening Agents
Release Agents

Water Treatment Chemicals & Services

Systems served:
Steam Generating Systems
Steam and Condensate Return Line Systems
Cooling Water Systems
Process and Service Water Systems
Brine Systems
Diesel Engine Cooling Systems
Evaporator Systems
Heat Exchange Systems

Key products used:
"Drewfloc" series of coagulant aids

"Drewsperser" series of antifoulants and dispersants
"Ameroid" water treatment chemicals for marine industry
"Ameroyal" evaporator treatment chemicals
"Drewtrol" and "Drewcor" for corrosion inhibition and deposit control
"Drewgard 100" for corrosion inhibition in hot and chilled water systems
"Drewplex" series for preventing scale and sludge deposits in steam boilers
Hydrazine liquid—oxygen remover
Liquid Coagulants

Maintenance Chemicals for Marine and Industrial Uses:

Fuel Oil Treatments
Slag and Corrosion Inhibitors
Oil and Grease Removers
Refractory Coatings
Resin Cleaners
Acid Cleaners
Tank Cleaners
Electric Motors & Parts Cleaners
Heavy-Duty Emulsifiers
Oil Spill Emulsifiers
Air Cooler Cleaners
Carbon Removers
Emulsion Breakers
Rust Strippers

Pulverizing Machinery Division

Gas Cleaning Equipment for Air Pollution Control, Dust Collection and Product Recovery Applications

Fabric Filter Collectors:

"Mikro-Pulsaire" Collector
continuous automatic pulse jet type
"Mikro-Collector" continuous
automatic reverse jet type
"Mikro-Modulaire" continuous
automatic and intermittent shaker type

Wet Scrubbers

"Mikro-Airetron" Venturi Scrubber,
high energy type
"Mikro-Airetron" Cyclonic Scrubber,
low energy type
"Mikro-Airetron" Venturi Impingement
Scrubber, medium energy type
"Mikro-Airetron" Packed Tower
Gas Scrubber

Mechanical Collectors

"Mikro-Airetron" Cyclones

Electrostatic Collectors

"Electrofil" high voltage
electrostatic collector system

Particle Size Reduction Machinery

Coarse to Fine Grinding

"Mikro-Pulverizer"
sizes ranging from 5 to 75 hp

Ultra-Fine Grinding

"Mikro-Atomizer"
sizes ranging from 7½ to 100 hp

Medium Range Grinding

"Mikro-ACM"
sizes ranging from 10 to 60 hp

"Mikro-Bud"
sizes ranging from 10 to 60 hp

Laboratory Mills

"Bantam Mikro-Pulverizer"

"Mikro-Samplmill"

Accessory Equipment

"Mikro-Airlock"
for unloading dust collectors and
for use as feeders
"Mikron Separator"
aerodynamic particle classification
"Mikro-Crusher"
for breaking down lumps in feed stock
to pulverizers
"Mikro-Monitor"
Automatic feed control for
pulverizing systems

Menardi-Southern Division

Fabric Filter Media for OEM and
replacement gas cleaning, dust collecting
and product recovery equipment.
Filter Felted Bags fabricated from natural
and synthetic fibers such as wool, acrylic,
polyesters, polypropylene, Teflon, Nomex
and Nylon.
Filter Woven Bags fabricated from fiberglass
for high temperature applications.
Rotary filter blankets for vacuum filters.
Filter cloths for plate and frame and pressure
leaf filter presses.
Nylon Mesh straining bags and Vorti-Sieve
screens for paint industry.
Dye nets for dyeing hosiery.
Tarpaulins for covering open truck bodies.
Air roll mats for cleaning the air in
industrial plants.
Covers for 55-gallon drums.
In-Line cartridge filters for clarification
of liquids.
Stainless Steel Clamps.
Filter Tube Caps.
Fiberglass rope, cordage and thread.

Note: All products listed above in quotes are trademarks of The Slick Corporation and its subsidiaries.



Statement of Consolidated Income

For the Years Ended December 31, 1969 and 1968

	1969	1968 (Note 1)
	(In Thousands of Dollars)	
Net Sales	\$122,973	\$109,137
Costs and Expenses:		
Cost of sales	99,024	88,282
Selling, general and administrative expenses	19,097	15,607
Depreciation	1,370	1,259
Interest and debt expense	1,966	1,748
Total	121,457	106,896
	1,516	2,241
Other Income (Charges):		
Leased flight equipment (Note 5):		
Rental income	2,097	2,233
Depreciation of equipment	(1,947)	(1,964)
Interest on equipment trust certificates	(26)	(152)
Net rental income	124	117
Miscellaneous	956	542
Total	1,080	659
Income Before Income Taxes	2,596	2,900
Provision or Related Charge (Credit) for Income Taxes (Note 6):		
Federal income tax	574	161
Foreign income taxes	279	132
Charge equivalent to reduction in taxes arising from utilization of operating loss carryforwards	523	905
Amortization of deferred investment tax credit	(216)	(238)
Net	1,160	960
Income of Continuing Operations Before Extraordinary Item and Equity in Earnings of Filtrol Corporation	1,436	1,940
Equity in Earnings of Filtrol Corporation (Note 1)	2,507	
Total	3,943	1,940
Extraordinary Item—Credit arising from utilization of operating loss carryforwards in reduction of income taxes (Note 6)	523	905
Income of Continuing Operations	4,466	2,845
Income of Discontinued Operations (Note 1)		55
Net Income	\$ 4,466	\$ 2,900
Earnings Per Common Share and Common Equivalent Share (Note 2):		
Continuing operations:		
Income before extraordinary item	\$.73	\$.62
Extraordinary item	.10	.29
Total	.83	.91
Discontinued operations		.02
Net income	\$.83	\$.93

See Notes to Financial Statements.

Consolidated Balance Sheet

December 31, 1969 and 1968

	1969	1968 (Note 1)
ASSETS	(In Thousands of Dollars)	
Current Assets:		
Cash	\$ 2,698	\$ 2,272
Current portion of notes receivable	1,761	
Accounts receivable, less allowance for doubtful accounts	17,901	15,396
Inventories (Note 3)	17,309	20,342
Prepaid income taxes		255
Prepaid expenses	450	706
Total current assets	40,119	38,971
Notes Receivable	2,760	
Investment in Filtrol Corporation (Note 1)	66,244	
Property, Plant and Equipment (Notes 4 and 7):		
Land	485	499
Buildings, machinery and equipment	36,644	38,382
Accumulated depreciation	(21,254)	(21,343)
Property, plant and equipment—net	15,875	17,538
Leased Flight Equipment, at cost less accumulated depreciation of \$14,485,000 in 1969 and \$12,538,000 in 1968 (Note 5)	6,341	8,265
Other Assets:		
Prepaid income taxes (Note 6)	1,355	1,453
Other	1,337	1,442
Total other assets	2,692	2,895
Total	\$134,031	\$ 67,669

See Notes to Financial Statements.

	1969	1968 (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	(In Thousands of Dollars)	
Current Liabilities:		
Notes payable to banks	\$ 7,306	\$ 4,639
Accounts payable	10,977	9,375
Federal income taxes (Note 6)	482	152
Accrued expenses	2,866	2,587
Current instalments of long-term debt	3,527	4,140
Total current liabilities	25,158	20,893
Long-Term Debt (Note 7)	14,209	17,344
Deferred Credits:		
Rental income on leased flight equipment (Note 5)	3,274	3,579
Investment tax credit (Note 6)	540	756
Other	25	
Total deferred credits	3,839	4,335
Shareholders' Equity:		
Capital stock (Notes 1 and 8):		
Cumulative preferred stock—authorized 5,000,000 shares of no par value: Series A \$1.75 cumulative convertible preferred stock—authorized 2,622,544 shares; outstanding 1,258,995 shares (preference on liquidation, \$22,662,000 and convertible into two shares of common stock)	60,587	
Common stock—authorized 12,000,000 shares of no par value; outstanding 1969, 3,325,962 shares; 1968, 3,171,468 shares	26,873	23,381
Retained earnings (Note 7)	3,365	1,716
Total shareholders' equity	90,825	25,097
Total	\$134,031	\$ 67,669

See Notes to Financial Statements.

Statements of Common Stock and Consolidated Retained Earnings

For the Years Ended December 31, 1969 and 1968

	Common Stock		Consolidated Retained Earnings
	Shares	Amount (In Thousands of Dollars)	
Balance, January 1, 1968:			
As previously reported	1,941,114	\$12,944	\$ 4,558
Adjustments for pooling of interests:			
Drew Chemical Corporation	459,807	5,480	(4,856)
Southern Press & Filter Media Co. (Note 1)	90,715	108	571
As restated	2,491,636	18,532	273
Add (deduct):			
Net income for the year 1968			2,900
Acquisitions of companies:			
Airetron Engineering Corporation	37,500	750	
Menardi & Company	20,833	453	(49)
Conversion of 5½% subordinated debentures	409,000	2,022	
Exercise of warrants and rights	173,769	1,738	
Exercise of options under employees' stock option plans	28,730	155	
Costs and expenses incurred and shares issued in connection with acquisition of Drew Chemical Corporation	10,000	(269)	
Cash dividends paid:			
On common stock—\$.32 a share			(974)
On preferred stocks of Drew Chemical Corporation retired in February 1968 (including arrearages of \$399,000 at December 31, 1967)			(430)
On common stock of Southern Press & Filter Media Co. prior to date of pooling			(4)
Balance, December 31, 1968	3,171,468	23,381	1,716
Add (deduct):			
Net income for the year 1969			4,466
Exercise of options under employees' stock option plans	11,300	58	
Conversion of Series A \$1.75 cumulative convertible preferred stock	143,194	3,445	
Costs and expenses incurred in connection with acquisition of Southern Press & Filter Media Co.		(11)	
Cash dividends paid:			
On common stock—\$.32 a share			(1,004)
On Series A \$1.75 cumulative preferred stock			(1,811)
On common stock of Southern Press & Filter Media Co. prior to date of pooling			(2)
Balance, December 31, 1969 (Notes 1 and 7)	3,325,962	\$26,873	\$ 3,365

See Notes to Financial Statements.

Statement of Source and Application of Consolidated Financial Resources

For the Year Ended December 31, 1969

(In Thousands of Dollars)

Source:

From operations:	
Net income for the year	\$ 4,466
Depreciation	1,370
Depreciation on leased flight equipment in excess of amortization of deferred rental income	1,619
Deferred income tax and amortization of investment tax credit	(374)
Amortization of prepaid Federal income tax	256
Other non-cash charges against current operations	250
Total	7,587
Sale of fixed assets of discontinued operations	2,173
Issuance of securities:	
Cumulative preferred stock	60,587
Common stock	3,492
Long-term debt	125
Decrease in net working capital	3,117
Total source	\$77,081

Application:

Investment in Filtrol Corporation (Note 1)	\$66,244
Reduction of long-term debt	3,260
Additions to property, plant and equipment	1,880
Increase in notes receivable	2,760
Dividends on:	
Common stock	1,004
Preferred stock	1,811
Other (net)	122
Total application	\$77,081

See Notes to Financial Statements.

Notes to Financial Statements

1. Principles of Consolidation, Acquisitions, etc.

(a) Principles of consolidation:

The consolidated financial statements include the accounts of The Slick Corporation and all of its subsidiaries except companies operating in South America, for which investments are stated at equity. Inter-company accounts and transactions have been eliminated.

Accounts of consolidated foreign subsidiaries have been translated into United States dollars at appropriate exchange rates and comprise at December 31, 1969 and 1968 total assets of \$4,602,000 and \$3,098,000, undistributed earnings of \$1,091,000 and \$825,000 and net income for the years of \$412,000 and \$435,000, respectively.

(b) Acquisitions during 1969:

In connection with an exchange offer approved by the shareholders on February 3, 1969, Slick acquired a majority interest in Filtrol Corporation common stock for 1,330,592 shares of Series A \$1.75 cumulative convertible preferred stock (convertible into two shares of common stock). Such investment is stated at the average price of two shares of Slick common stock on the date Slick was first notified of the number of Filtrol common shares tendered plus Slick's equity in the undistributed earnings of Filtrol since acquisition. On April 1, 1969, Filtrol Corporation brought an antitrust suit seeking to prevent Slick from exercising its voting control. On December 29, 1969, the United States District Court for the Central District of California entered a preliminary injunction in the antitrust suit brought against Slick by Filtrol. Pending a trial on the merits, the Court's order enjoins Slick from exercising its voting control of Filtrol, prevents Slick from acquiring or offering to acquire additional Filtrol stock, requires Court approval of any disposition of Filtrol stock by Slick in excess of ten per cent of Filtrol's outstanding shares, and restrains Filtrol from taking action which would affect Slick's stock interest in Filtrol or otherwise alter the "status quo".

Filtrol Corporation has declined to furnish Slick with any information concerning its business or operations. Accordingly, the amount included in the accompanying statement of consolidated income as "equity in earnings of Filtrol Corporation" has been obtained from financial statements included in the 1969 published annual report of Filtrol Corporation, which were the subject of an audit report by independent public accountants.

The quoted market value of Slick's investment in Filtrol Corporation amounted to \$44,578,000 at December 31, 1969. During 1969, Slick received \$1,987,000 of dividends from Filtrol Corporation.

In November 1969 Slick acquired, in a transaction accounted

for as a pooling of interests, the net assets of Southern Press & Filter Media Co. in exchange for 90,715 shares of common stock with additional shares payable contingent upon future earnings of that company and certain related operations. The accompanying financial statements include the accounts of Southern for both years.

(c) Dispositions during 1969:

In February 1969, Slick sold the net assets of the Illinois Shade Division substantially at net asset value for \$1,600,000 in cash and \$5,400,000 in a 7% note due March 1, 1971. The earnings of this Division have been reported as discontinued operations for 1968 in the net amount of \$55,000.

2. Earnings Per Common Share and Common Equivalent Share

Earnings per common share and common equivalent share were computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during each year after giving effect retroactively to shares issued in the poolings of interests with Southern Press & Filter Media Co. in November 1969 and Drew Chemical Corporation in February 1968. The Series A \$1.75 cumulative convertible preferred stock (convertible into two shares of common stock) has been considered to be the equivalent of common stock from the time Slick was first obligated to issue such stock in 1969. Accordingly, the number of shares issuable on conversion has been added to the number of common shares.

3. Inventories

Soybean and cottonseed oil inventories are stated principally at the lower of average cost or market and all other inventories are stated generally at average or first-in, first-out cost which is not in excess of market. Inventories are summarized as follows:

	1969	1968
	(In Thousands)	
Finished goods	\$ 8,854	\$ 9,833
Work in process	3,390	3,421
Raw materials	5,065	7,088
Total	<u>\$17,309</u>	<u>\$20,342</u>

4. Property, Plant and Equipment

Property, plant and equipment is stated at cost. For financial reporting purposes, depreciation is computed on the straight-line method over estimated useful lives which range from twenty-five to fifty years for buildings and from three to thirty-three years for machinery and equipment. Buildings, machinery and equipment consisted of the following:

Notes to Financial Statements

(Continued)

	1969	1968
	(In Thousands)	
Buildings	\$ 7,258	\$ 8,126
Machinery and equipment	28,447	28,691
Construction in progress	939	1,565
Total	<u>\$36,644</u>	<u>\$38,382</u>

5. Leased Flight Equipment and Warrants to Purchase

Common Stock of Airlift International, Inc.

In connection with the transfer of the operating assets of the former Airways Division to Airlift International, Inc. in 1966, aircraft and spare engines were leased for a ten-year period. Rents collected, including initial and accelerated payments, are being credited to income in amounts approximating the sum of the depreciation on the assets leased and the interest on the unrecovered cost of such assets. The leased assets are being depreciated over a six-year period ending June 1972 and will have at that time an estimated residual value of \$1,473,000.

Slick received warrants to purchase 984,960 shares of Airlift common stock at an aggregate exercise price of \$3,648,000 during the period July 1968 through June 1972. One-fourth of such warrants expire at the end of each year if not exercised; and these warrants cannot be sold or transferred without Airlift's consent. During 1969, warrants to purchase 246,240 shares for an aggregate exercise price of \$912,000 expired.

Slick also transferred to Airlift its certificate of public convenience and necessity for the carriage of airfreight in the United States and received additional warrants to purchase 1,451,877 shares of common stock and \$3,125,000 of debentures of Airlift during the period July 1968 to July 1978 at an aggregate initial exercise price of \$7,800,000. In addition, Slick is entitled to receive warrants to purchase an amount equal to ten per cent of Airlift's common stock and convertible securities issued during the ten-year period. These warrants may not be sold or transferred without Airlift's consent during the first six years and are not exercisable during the first two years.

Any common stock of Airlift acquired upon exercise of the warrants will be deposited in a voting trust and can only be released from such voting trust by a public offering. Under Slick's guaranty agreement with respect to the debt of a subsidiary, the aggregate of investment in Airlift securities in any one year and dividends paid by Slick in the preceding year is restricted to fifty per cent of consolidated net income for such preceding year.

6. Income Taxes

Prepaid income taxes are attributable principally to taxes paid on rental income relating to leased flight equipment.

The deferred investment tax credit relates to aircraft leased

to Airlift and is being credited to income ratably to June 1972. Investment tax credits on current additions to properties, \$109,000 in 1969 and \$81,000 in 1968, are credited to income as realized.

No income taxes were paid by Drew Chemical Corporation and its domestic subsidiaries during the period because of operating loss carryforwards from prior years. In the statement of consolidated income, the amount equivalent to the reduction in income taxes of Drew arising from the utilization of such operating loss carryforwards has been charged to income of continuing operations before extraordinary item with an offsetting credit as an extraordinary item. At December 31, 1969, the operating loss carryforwards available to Drew and its domestic subsidiaries aggregated approximately \$1,475,000, all of which expires in 1970.

The Internal Revenue Service has proposed certain adjustments relating principally to investment credits on leased flight equipment for 1965 and 1966. Management is of the opinion that the items in question have been properly treated for tax purposes. Under the lease agreement with Airlift, the lessee is obligated to Slick for the amount of any investment tax credit lost and any interest and penalties resulting therefrom.

7. Long-Term Debt

Long-term debt consisted of the following:

	1969	1968
	(In Thousands)	
Notes payable to banks due in instalments through 1973 (interest currently at 1/2% above prime rate) . . .	\$ 8,306	\$10,350
5 1/2% and 6% equipment trust certificates payable in instalments through 1969		1,113
7% sinking fund notes payable in instalments through 1975	1,925	2,275
5% subordinated notes payable in instalments through 1972	1,442	1,692
6% subordinated notes payable in instalments from 1970 through 1982	5,520	5,520
6% mortgage note payable in instalments through 1978	393	412
8% mortgage note payable in instalments through 1972	150	122
Total	<u>17,736</u>	<u>21,484</u>
Less instalments included in current liabilities	3,527	4,140
Net	<u>\$14,209</u>	<u>\$17,344</u>

Notes to Financial Statements

(Continued)

Pursuant to the loan agreement with banks and the guaranty agreement with respect to the debt of a subsidiary, the amount of annual dividends Slick can pay on its common stock is restricted to the current annual dividend rate of \$.32 a share. Waivers have been obtained from lenders to permit payment of \$1.75 annual dividend on preferred stock.

Under various loan agreements the companies are required to maintain certain net asset requirements and are restricted as to the amount of additional indebtedness, investments, capital expenditures, and long-term rental obligations.

The common stock of Drew Chemical Corporation is pledged as collateral to the guaranty agreement with respect to bank debt aggregating approximately \$7,050,000 and the capital stock of Slick Industrial Company is pledged as collateral to the sinking fund notes.

8. Capital Stock

An increase in the authorized capitalization of Slick to 12,000,000 shares of common stock and 5,000,000 shares of preferred stock (of which 2,622,544 shares, designated as Series A \$1.75 cumulative convertible preferred stock and convertible into two shares of Slick common stock, were authorized in connection with the exchange offer for all of the outstanding common stock of Filtrol Corporation) was approved by the shareholders at a special meeting on February 3, 1969.

Transactions during 1969 in the 1960 and 1967 Stock Option Plans, which provide for the granting of options to officers and key employees to purchase common stock of Slick at prices not less than the fair market value at the date of grant, are summarized as follows:

	<u>Shares</u>	<u>Amount</u>
	(In Thousands)	
Options outstanding, December 31, 1968	90,650	\$2,027
Transactions during 1969:		
Granted	3,000	46
Exercised	(11,300)	(58)
Cancelled	<u>(5,250)</u>	<u>(139)</u>
Options outstanding, December 31, 1969	<u>77,100</u>	<u>\$1,876</u>

9. Retirement Plans

The companies have various plans covering the majority of their employees which contain varying provisions pertaining to retirement age, vesting of rights, etc. Costs of the plans, including amortization of prior service costs over a forty-year period commencing 1967 for Slick and 1968 for Drew, amounted to \$670,000 in 1969 and \$720,000 in 1968. Except for such amortization, the companies fund all pension costs accrued.

Based on the latest actuarial computations, the vested benefits on a consolidated basis exceeded the total of the fund assets and balance sheet accruals by approximately \$530,000 and unfunded prior service costs amounted to approximately \$2,280,000.

10. Commitments and Contingent Liabilities

Annual rentals under long-term lease agreements for tank cars, manufacturing facilities and office premises aggregated approximately \$1,020,000 (exclusive of mileage credits on tank cars and income from subleases) at December 31, 1969. During 1969, mileage credits approximated \$355,000.

A subsidiary has entered into purchase contracts amounting to \$3,204,000 at December 31, 1969 with a company, in which certain officers of Slick, are also directors and officers, in order to facilitate the importation of vegetable oils for the benefit of the subsidiary.

There are suits pending against the companies for which the ultimate amount of liability is not determinable at this time. However, management and counsel are of the opinion that any required payments would not have a material effect on the consolidated financial condition or consolidated results of operations of the companies.

11. Subsequent Event

On April 1, 1970, the Corporation entered into a memorandum agreement with Pawnee Corp. to sell the assets of the catalyst, food and food chemical specialties group of Drew Chemical Corporation. The agreement is subject to the approval of the boards of directors of both companies and certain financial institutions.



The Slick Corporation

522 Fifth Avenue, New York, New York 10036

Drew Chemical Corporation

New York, New York—Boonton, New Jersey
St. Louis, Missouri—Lindsay & Strathmore, California

Drew Foods Corp.

St. Louis, Missouri

Drew Ameroid International Corporation

New York, New York

Drew Quimica Argentina, S.A.I.C.

Buenos Aires, Argentina

Drew Produtos Quimicos, Ltda.

Sao Paulo, Brazil

Drew Chemical Limited

Ajax, Ontario, Canada

Drew Chemical (U.K.) Limited

London, England

Drew Chemical (Nederland) N.V.

Rotterdam, Holland

Drew Ameroid Italiana S.r.l.

Genoa, Italy

Drew Chemical (Deutschland) GmbH

Hamburg, West Germany

Slick Industrial Company—Pulverizing Machinery Division

Summit, New Jersey

Slick Industrial Company Canada Limited

Toronto, Ontario, Canada

Mikropul, Ltd.

Shoeburyness, Essex, England

Pulverizing Machinery GmbH

Cologne, West Germany

Menardi—Southern Division

Augusta, Georgia—Torrance, California

Filtrol Corporation

Los Angeles, California—Vernon, California
Salt Lake City, Utah—Jackson, Mississippi